



Your Mission is Our Passion

FY2018 Second Quarter Earnings Presentation

Ended March 31, 2018

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May 16, 2018

Forward-looking Statements

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995:

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or DLH's future financial performance. Any statements that are not statements of historical fact (including without limitation statements to the effect that the company or its management "believes," "expects," "anticipates," "plans," "intends," and similar expressions) should be considered forward-looking statements that involve risks and uncertainties that could cause actual events or DLH's actual results to differ materially from those indicated by the forward-looking statements. For a discussion of such risks and uncertainties, see "Risk Factors" in the company's periodic reports filed with the SEC, including our annual report on Form 10-K for the fiscal year ended September 30, 2017. In light of the risks and uncertainties inherent in the forward-looking statements included herein, the inclusion of such statements should not be regarded as a representation by the company or any other person that the objectives and plans of the company will be achieved. The forward-looking statements contained in this presentation are made as of the date hereof and may become outdated over time. The company does not assume any responsibility for updating any forward-looking statements.

Second Quarter Highlights & Summary

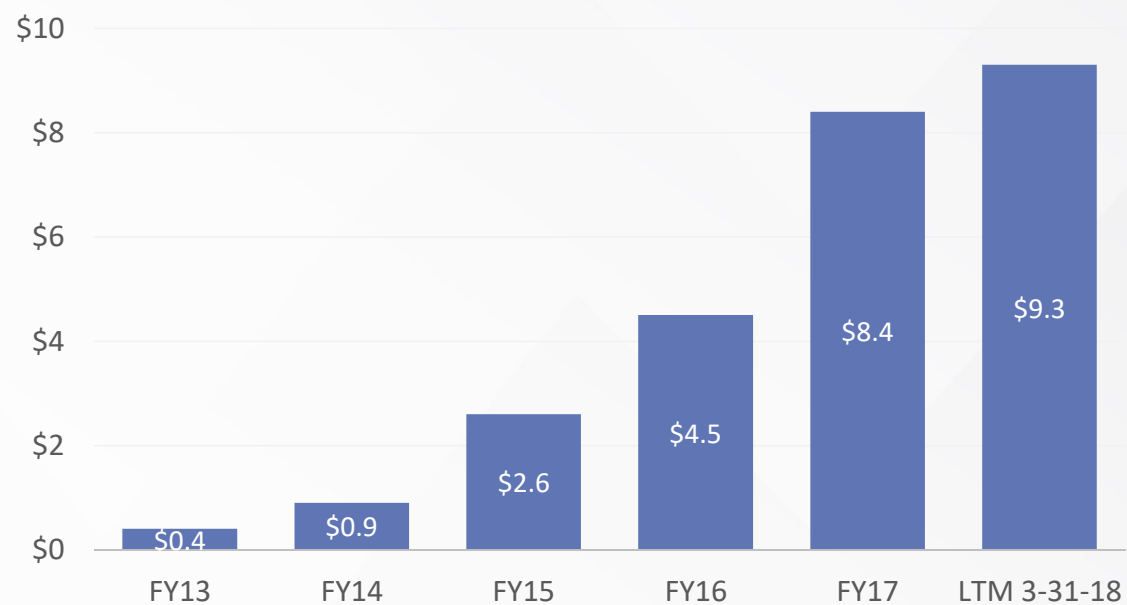


- ◀ Q2 revenue \$34.4 million, up 15.0 percent year-over-year
- ◀ Gross margin of 21.7 percent
- ◀ Operating cash flow \$4.4 million
- ◀ Senior debt reduced to \$14.9 million from \$18.8 million as of December 31, 2017
- ◀ Solid growth outlook

Strong EBITDA Trend Continues



Historical EBITDA* (\$ in millions)



*A reconciliation of EBITDA is provided in the back of this presentation

Budget Agreement / Appropriations Act

- ◀ Bipartisan budget fully supports key agencies & programs
- ◀ HHS – total of \$78 billion in budget authority, \$10 billion above FY17 enacted
- ◀ VA – total of \$81.5 billion in budget authority, \$7.1 billion above FY17 enacted
- ◀ Similar trends expected for FY2019
- ◀ Gives clarity over near-term spending priorities

Key Forward Indicators

◀ Well-funded programs

- IT/professional services spending continues to grow
- F2018 budget raised funding for DoD, VA & HHS, including NIH, ACF, SAMHSA

◀ Healthy new business pipeline

- Bidding on more complex, margin-expansion opportunities
- Over \$400 million of qualified leads
- Federal mission-critical programs

◀ Recompete period

◀ Strong M&A environment

- Dynamic market for acquisitions
- Must “fit” with DLHC culture / strategic growth plan

FY2018 Q2 Results: Revenue

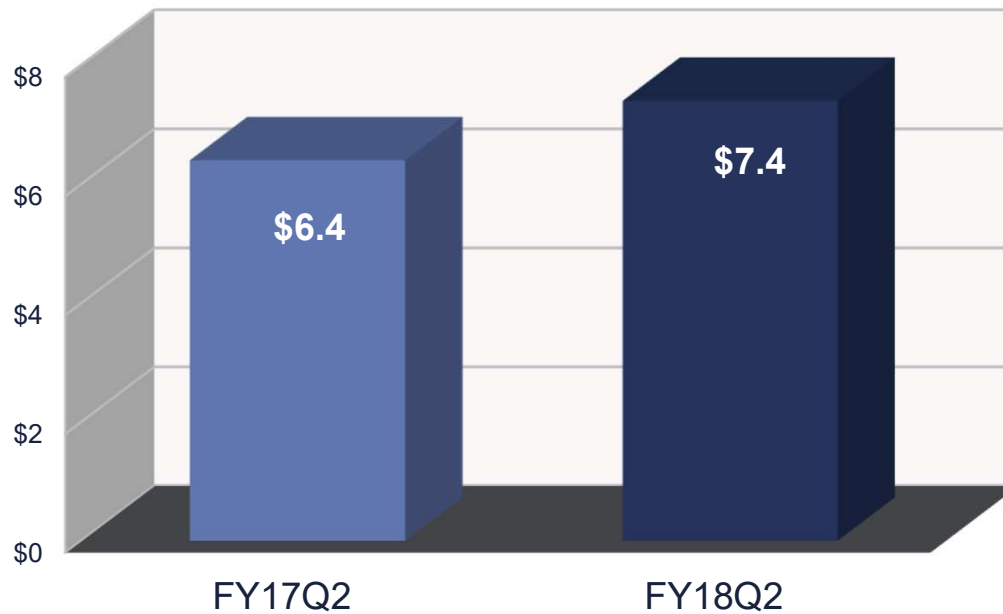
\$ Millions



- *15.0% growth year-over-year*
- *Represents continued expansion and program timing*

FY2018 Q2 Results: Gross Profit

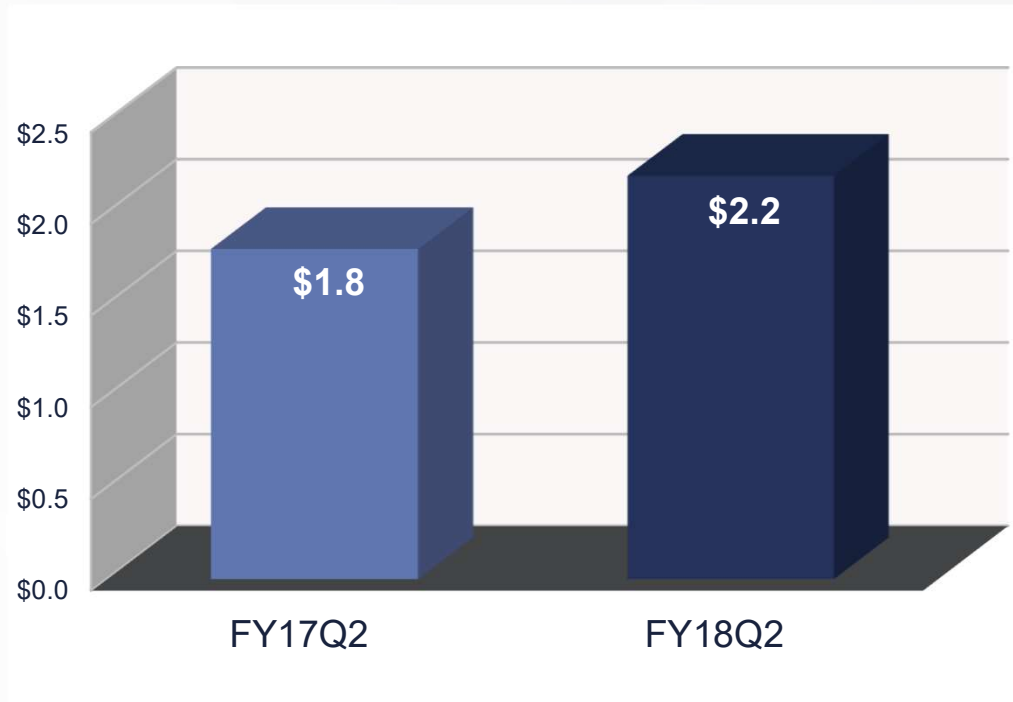
\$ Millions



- *Second quarter gross margin of 21.7%*
- *16.4% higher gross profit driven by increased revenue & margin*

FY2018 Q2 Results: Operating Income

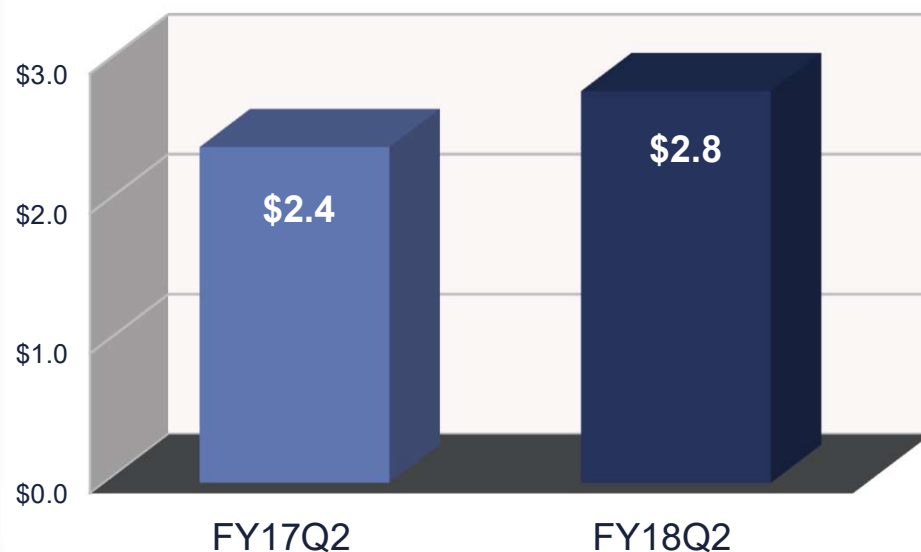
\$ Millions



- *19.8% growth year-over-year*
- *Higher gross profit was partially offset by increased G&A*

FY2018 Q2 Results: EBITDA

\$ Millions



- *EBITDA up 15.5% year-over-year*
- *EBITDA as a percent of revenue was 8.0% in both FY2018 Q2 and FY2017 Q2*

A reconciliation of net income to EBITDA is provided in the back of this presentation

Balance Sheet: Deleveraging Continues



	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>3/31/2018</u>
◀ Term loan balance*	\$23.4 M	\$19.7 M	\$14.9 M
◀ Revolver balance**	-0-	-0-	-0-
◀ Less Cash on Hand	3.4	4.9	3.6
◀ Net Debt	\$20.0	\$14.8	\$11.3
◀ LTM EBITDA	\$4.5	\$8.4	\$9.3
◀ Net Debt/LTM EBITDA	4.44	1.76	1.21

*\$25M originally

**\$10M ceiling; availability \$10M; no borrowing as of 3/31/18

A reconciliation of LTM EBITDA is provided in the back of this presentation

Question and Answer Session



Appendix: Non-GAAP Reconciliations

This document contains non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results, and providing meaningful period-to-period comparisons. These measures should be used in conjunction with, rather than instead of, their comparable GAAP measures. A reconciliation of non-GAAP measures to the comparable GAAP measures presented in this document is also contained in the Company's most recent quarterly earnings press release.

For an expanded discussion of our use of this non-GAAP measure, please refer to the Earnings Release dated May 15, 2018.

FY2018 Q2 EBITDA Reconciliation



	Three Months Ended			Six Months Ended		
	March 31,			March 31,		
	2018	2017	Change	2018	2017	Change
Net income (loss)	\$ 1,316	\$ 979	\$ 337	\$ (1,535)	\$ 1,303	\$ (2,838)
(i) Interest expense	261	255	6	539	619	(80)
(ii) Provision for taxes	627	605	22	4,346	806	3,540
(iii) Depreciation, amortization	560	554	6	1,066	755	311
EBITDA	\$ 2,764	\$ 2,393	\$ 371	\$ 4,416	\$ 3,483	\$ 933

Trending EBITDA Reconciliation



	Twelve Months Ended					
	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017	3/31/2018
Net Income (Loss)	\$ (159)	\$ 5,357	\$ 8,728	\$ 3,384	\$ 3,288	\$ 450
Interest and other (income) expense (net):						
Interest and other expense	407	4	(744)	823	1,228	1,148
Provision for taxes		(4,597)	(5,488)	(938)	2,114	5,654
Depreciation, amortization and loss on fixed assets	121	106	55	1,244	1,754	2,065
EBITDA	\$ 369	\$ 870	\$ 2,551	\$ 4,513	\$ 8,384	\$ 9,317